

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Sebewaing Light and Water Department	County Huron
Audit Date 3/31/05	Opinion Date 5/22/05	Date Accountant Report Submitted to State 8/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel P.C.			
Street Address 7274 Hartley Street		City Pigeon	State MI
Accountant Signature <i>Brian Hazel</i> CPA		ZIP 48755	Date 8/30/05

**SEBEWAING LIGHT AND
WATER DEPARTMENT
VILLAGE OF SEBEWAING
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2005 AND
MARCH 15, 2004**

**SEBEWAING LIGHT & WATER DEPARTMENT
VILLAGE OF SEBEWAING**

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Nietzke & Faupel, PC

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INDEPENDENT AUDITOR'S REPORT

To The Board of Commissioners
Sebewaing Light and Water Department
Village of Sebewaing
Sebewaing, Michigan 48759

We have audited the accompanying financial statements of the business-type activities of the Sebewaing Light and Water Department, component unit of Village of Sebewaing, Michigan, as of March 31, 2005 and March 15, 2004 and for the 54 weeks and 52 weeks then ended, which comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sebewaing Light and Water Department, Sebewaing, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Sebewaing Light and Water Department, Sebewaing, Michigan, as of March 31, 2005 and March 15, 2004, and the changes in financial position and cash flows, thereof for the 54 weeks and 52 weeks then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis on pages iii through v, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Sebewaing Light and Water Department, Sebewaing, Michigan's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

May 22, 2005

Sebewaing Light & Water Department, Sebewaing Michigan

Management's Discussion & Analysis

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Light & Water Department as a whole and present a longer-term view of the Departments finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the departments operations in more detail.

The Light & Water Department as a Whole

The department's combined assets increased by 1.9% from a year ago – increasing from \$10.825 million to \$11.032 million. This is less than historically due to the economic downturn and the cool summer of 2004. The department also experienced larger power purchase costs on a per kilowatt basis (56% of revenue compared to 50% of revenue last year) and higher health care premiums. The department also refunded to property owners the excess taxes collected for the retirement of a 1986 bond in the amount of \$ 81,361.

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year. The water system typically losses money annually. With major capital improvements in the system and a commitment to accountability with water usage in the village, these losses have been at a decreasing rate.

Water and Electric Combined

The following table shows, in a condensed format, the net assets as of the current date:

	Department Business Activities <u>March 2005</u>	Department Business Activities <u>March 2004</u>
Current Assets	\$ 5,545,174	\$ 5,214,407
Capital Assets	4,487,324	4,529,092
Restricted Assets	<u>1,000,000</u>	<u>1,081,361</u>
Total Assets	<u>\$11,032,498</u>	<u>\$10,824,860</u>
Long – Term Debt	\$ 75,654	\$ 63,698
Current Liabilities	<u>246,732</u>	<u>92,521</u>
Total Liabilities	\$ <u>322,386</u>	\$ <u>156,219</u>
Net Assets:		
Capital Assets	\$ 4,487,324	\$ 4,529,092
Restricted	1,000,000	1,081,361
Unrestricted	<u>5,222,788</u>	<u>5,058,188</u>
Total Net Assets	<u>\$10,710,112</u>	<u>\$10,668,641</u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$164,600. This represents an increase of approximately 3.2%. The level of unrestricted net assets for activities stands at \$5,222,788 or approximately 1.74 times the operating expenses annually. The department has relied on interest income from the investment of these unrestricted assets for balancing its budget.

Sebewaing Light & Water Department, Sebewaing Michigan

Management's Discussion & Analysis

Light & Water Department Change in Net Assets

	Departments Business Activities <u>March 2005</u>	Departments Business Activities <u>March 2004</u>
Revenue		
Charges for services	<u>\$2,886,033</u>	<u>\$2,691,811</u>
Nonoperating Revenue		
Interest on investments	107,123	90,865
Miscellaneous	23,538	4,339
Property taxes	15,945	93,177
State Shared Revenue	5,074	5,074
Interest Income – Bond Redemption	1,700	1,418
Crop income		<u>1,785</u>
Total Nonoperating Revenue	<u>153,379</u>	<u>196,685</u>
Operating and Admin. Expenses		
Production	1,732,641	1,458,207
Internet	49,490	20,368
Distribution	368,432	290,778
General and administration	<u>856,378</u>	<u>785,643</u>
Total	<u>3,006,941</u>	<u>2,554,996</u>
Income before contributions	<u>32,471</u>	<u>333,473</u>
Contributions	9,000	9,000
Change in net assets	\$ <u>41,471</u>	\$ <u>342,473</u>

The department's change in net assets was partially reduced from the previous year due to increases in power purchase costs as well as health care premiums. The department also reported 54 weeks of expenses, due to a change in the department's fiscal year end from March 15 to March 31, which partially reduced the change in net assets.

The Light & Water Department has a complete audit available for a more detailed report. The department increased its expenses by approximately \$450,000 while income increased approximately \$150,000 due to previously mentioned items in this report.

Business-Type Activities

The Department's business-type activities consist of electric and water funds. We provide water and electric to the village and some of the surrounding township residents. The

Sebewaing Light & Water Department, Sebewaing Michigan

Management's Discussion & Analysis

impact of higher energy costs, higher health care costs, and the addition of two additional weeks of expenses (fiscal year end changed to March 31 due to QuickBooks accounting software change) refunding of excess collected taxes for debt retirement and the cool summer of 2004 all impacted the department's financial statements.

The Light & Water Department's Funds

The Light & Water Department fund financial statements provide detailed information about the most significant funds. The Light & Water Commission creates funds to manage money for specific purposes, as well as to show accountability for certain activities, such as a special property tax millage. While some of department's balance sheet indicates healthy savings, the utility system requires a large investment. Especially the aged water system of which a large portion dates back to the 1930's. The department is also positioning itself for the large exposure it has due to changes to the power supply costs and P.A. 141 (customer choice of electric power supplier). Its power costs make up 56% of the department's budget and has a contract with DTE Energy that ends in 2010. Purchased power costs for fiscal year 2004-2005 were \$1,494,647.

The department is committed to improve the water quality to the village residents and maintains a five year plan to replace the aging distribution system. A local contractor currently has a contract for water main replacement on Beach, Seventh and Eighth Streets. The total engineering estimate for this project is \$388,150 (engineering fees and contingencies included).

The department will need to update worn line construction vehicles and equipment in the upcoming fiscal year. Due to the closing of Tower Automotive in January 2002 (30 Months) the department has held off major capital purchases as much as possible. As of January 2005, Lapeer Metal Stamping purchased the property and has been operating the plant.

This financial report is intended to provide our customers with a general overview of the Light And Water Department's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information we welcome you to contact the Light and Water Department's office.

FINANCIAL STATEMENTS

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

BALANCE SHEETS - PROPRIETARY FUND

	March 31, <u>2005</u>	March 15, <u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 3,095,280	\$ 2,878,448
U.S. Government securities	1,887,682	1,895,648
Accounts receivable - Trade	154,765	50,859
Accrued interest receivable	19,778	9,635
Prepaid insurance	13,600	14,639
Inventories	374,069	365,178
TOTAL CURRENT ASSETS	<u>5,545,174</u>	<u>5,214,407</u>
 CAPITAL ASSETS	 9,297,171	 9,182,552
LESS ACCUMULATED DEPRECIATION	<u>(4,809,847)</u>	<u>(4,653,460)</u>
CAPITAL ASSETS - NET	<u>4,487,324</u>	<u>4,529,092</u>
 RESTRICTED ASSETS:		
Certificates of deposit	<u>1,000,000</u>	<u>1,081,361</u>
TOTAL RESTRICTED ASSETS	<u>1,000,000</u>	<u>1,081,361</u>
 TOTAL ASSETS	 <u>\$ 11,032,498</u>	 <u>\$ 10,824,860</u>

The accompanying notes are an integral
part of the financial statements.

	March 31, <u>2005</u>	March 15, <u>2004</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS):		
Accounts payable - Trade	\$ 215,033	\$ 61,154
Due to other government	1,077	
Accrued salaries and wages	6,532	2,650
Withheld and accrued payroll taxes and retirement	3,416	3,207
Accrued compensated absences - current portion	-	4,886
Deferred revenue	5,074	5,074
Customer deposits	15,600	15,550
TOTAL CURRENT LIABILITIES	<u>246,732</u>	<u>92,521</u>
NONCURRENT LIABILITIES:		
Accrued compensated absences	<u>75,654</u>	<u>63,698</u>
TOTAL NONCURRENT LIABILITIES	<u>75,654</u>	<u>63,698</u>
TOTAL LIABILITIES	<u>322,386</u>	<u>156,219</u>
NET ASSETS:		
Investment in capital assets	4,487,324	4,529,092
Restricted	1,000,000	1,081,361
Unrestricted	<u>5,222,788</u>	<u>5,058,188</u>
TOTAL NET ASSETS	<u>10,710,112</u>	<u>10,668,641</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,032,498</u>	<u>\$ 10,824,860</u>

The accompanying notes are an integral
part of the financial statements.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUND**

	54 Weeks Ended March 31, 2005	52 Weeks Ended March 15, 2004
CHARGES FOR SERVICES	\$ 2,886,033	\$ 2,691,811
OPERATING AND ADMINISTRATIVE EXPENSES:		
Production	1,732,641	1,458,207
Internet	49,490	20,368
Distribution	368,432	290,778
General and administrative	856,378	785,643
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	3,006,941	2,554,996
OPERATING INCOME (LOSS)	(120,908)	136,815
NONOPERATING REVENUE:		
Interest on investments	107,123	90,865
Miscellaneous	23,538	4,339
Property taxes	15,945	93,177
State shared revenue	5,074	5,074
Interest earned - Bond redemption	1,700	1,418
Net crop income	-	1,785
TOTAL NONOPERATING REVENUE	153,379	196,658
INCOME BEFORE CONTRIBUTIONS	32,471	333,473
CONTRIBUTIONS	9,000	9,000
CHANGE IN NET ASSETS	41,471	342,473
NET ASSETS - BEGINNING	10,668,641	10,326,168
NET ASSETS - ENDING	<u>\$ 10,710,112</u>	<u>\$ 10,668,641</u>

The accompanying notes are an integral
part of the financial statements.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

	54 Weeks <u>Ended</u> March 31, <u>2005</u>	52 Weeks <u>Ended</u> March 15, <u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,782,128	\$ 2,680,572
Payments to suppliers for goods and services	(1,754,523)	(1,398,227)
Payments to employees	(508,276)	(522,713)
Payments for fringe benefits	(244,663)	(178,584)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>274,665</u>	<u>581,048</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(254,840)	(188,097)
Contributed capital received	9,000	9,000
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(245,840)</u>	<u>(179,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	106,646	92,406
NET INCREASE IN CASH AND RESTRICTED CASH	<u>135,471</u>	<u>494,357</u>
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	3,959,809	3,465,452
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 4,095,280</u>	<u>\$ 3,959,809</u>
Cash Reconciliation:		
Cash	\$ 3,095,280	\$ 2,878,448
Restricted cash	1,000,000	1,081,361
Total	<u>\$ 4,095,280</u>	<u>\$ 3,959,809</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

	54 Weeks <u>Ended</u> March 31, <u>2005</u>	52 Weeks <u>Ended</u> March 15, <u>2004</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (120,908)	\$ 136,815
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	296,323	289,803
Decrease in fixed assets due to obsolete equipment	285	
Miscellaneous revenue	23,538	6,124
Property taxes	15,945	93,177
State shared revenue	5,074	5,074
(Increase) decrease in current assets:		
Accounts receivable - Trade	(103,906)	(11,239)
Due from other fund		344
Prepaid insurance	1,039	62,974
Inventories	(8,891)	293
Increase (decrease) in current liabilities:		
Accounts payable	153,879	(2,995)
Due to other fund	1,077	
Accrued salaries and wages	3,882	(6,757)
Accrued compensated absences	7,070	3,156
Withheld and accrued payroll taxes and retirement	208	(1,495)
Deferred revenue		5,074
Customer deposits	50	700
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 274,665</u>	<u>\$ 581,048</u>

The accompanying notes are an integral part of the financial statements.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Sebewaing Light and Water Department is a municipal owned utility company that provides electric and water service to the residents of the Village of Sebewaing. The Department has three classes of customers: residential, commercial and industrial. Approximately 50% of the Department's gross revenue is attributable to its six industrial customers which range from the agri-service industry to the tool and die industry. The Sebewaing Light and Water Department grants credit to its customers, all of whom are either located in the Village of Sebewaing or border the Village.

The Sebewaing Light and Water Department is one combined operating entity. The information presented in the financial statements reflecting separate information for the Light Department and Water Department is for informational and management purposes only.

Basis of Presentation:

The financial activities of the Department are recorded in one fund categorized as an Enterprise Fund. Enterprise Funds are of the Proprietary Fund Type and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Sebewaing Light and Water Department is a component unit of the Village of Sebewaing and its financial statements are included in the financial statements of the Village of Sebewaing. However, for purposes of these financial statements, the financial position, results of operations, and cash flows of the Sebewaing Light and Water Department are being presented separate from those of the Village of Sebewaing.

Basis of Accounting:

The accounting policies of the Department conform to generally accepted accounting principles as applicable to governmental units following the accrual basis of accounting as required for Proprietary Fund Types. Therefore, revenue is recognized when earned (utility service is provided to customer) and expenses are recognized when incurred (goods or services are received). The department has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, except for those that conflict with or contradict with GASB pronouncements.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Accounting Changes:

During the 2005 fiscal year, the Department adopted the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement 34); GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus (Statement 37); and GASB Statement No. 38, Certain Financial Statement Disclosures (Statement 38). Statements 34, 37 and 38 established standards for external financial reporting and disclosure for all state and local government entities, which for the Department includes a balance sheet, a statement of revenues, expenses and changes in net assets and a statement of cash flows. The most significant change related to the implementation of Statement 34 for the Department is the requirement that net assets be classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted, on a retroactive basis. Previously, the Department's net assets were reported as fund equity, as either retained earnings or contributed capital. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted - This component of net assets consists of net assets subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statements 34, 37 and 38 had no effect on the financial statements except for the classification of net assets, changes in financial statement presentation and modification of certain financial statement note disclosures.

Cash and Cash Equivalents:

Cash and cash equivalents of the Department include cash on hand and all deposits with financial institutions, including all certificates of deposit. Investments in U.S. Treasury Securities are excluded from cash and cash equivalents.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets:

Buildings, generation assets, transmission assets, furniture and equipment are stated at cost, less accumulated depreciation. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the period incurred. Depreciation is calculated using the straight-line method at rates that are designed to depreciate the cost of the assets over their estimated useful lives ranging from 5 to 50 years.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). The Village of Sebewaing collects the property taxes levied for the purpose of operating, maintaining, replacing and expanding the water system and then transfers the taxes collected to the Sebewaing Light and Water Department where they are deposited into a separate bank account.

Compensated Absences:

Light and Water Department employees are allowed to accumulate a maximum of one hundred twenty (120) days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of one hundred twenty (120) days is paid annually at one-half of the employee's regular pay rate. There is no accumulation of unused vacation days allowed. The Department accrues a liability for compensated absences which meet the following criteria:

1. The Department's obligation relating to employees' rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Department has accrued a liability for sick pay which has been earned but not taken by Light and Water Department employees. The liability for compensated absences is recorded in proprietary fund types as a noncurrent accrued liability in accordance with GASB Statement 16.

Reclassifications:

Certain reclassifications were made to the 2004 financial statement presentation to conform with the 2005 presentation.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Change in Fiscal Year:

During the current fiscal year, the Sebewaing Light and Water Commission passed a resolution to change its fiscal year end from March 15 to March 31. Consequently, the fiscal year ended March 31, 2005 contains an additional 2 weeks.

NOTE 2 - CASH AND DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Sebewaing Light and Water Department amounted to \$4,095,280 and \$3,959,809 at March 31, 2005 and March 15, 2004, respectively. The bank balance as of March 31, 2005 and March 15, 2004 was \$4,117,201 and \$4,184,504, respectively. Deposits with financial institutions are categorized as follows:

	<u>March 31,</u> <u>2005</u>	<u>March 15,</u> <u>2004</u>
Amount insured by the FDIC	\$1,594,555	\$1,781,361
Uncollateralized	<u>2,522,646</u>	<u>2,403,143</u>
Total deposits with financial institutions	<u>\$4,117,201</u>	<u>\$4,184,504</u>

All deposits categorized as uncollateralized are the property of the Sebewaing Light and Water Department, an Enterprise Fund.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2005.

Michigan Compiled Laws Section 129.91, authorizes the Department to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States Government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. The Department's deposits are in accordance with statutory authority. The Light and Water Commission has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Department's deposits and investments are within the authorization as set forth by the Light and Water Commission.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 3 - SHORT-TERM INVESTMENTS:

At March 31, 2005 and March 15, 2004, the Department's investments include the following:

	<u>March 31,</u> <u>2005</u>	<u>March 15,</u> <u>2004</u>
U.S. Treasury Securities (at cost, which approximates market value)	<u>\$1,887,682</u>	<u>\$1,895,648</u>
Total U.S. Treasury Securities	<u>\$1,887,682</u>	<u>\$1,895,648</u>

The Department owns the U.S. Treasury Securities directly and has purchased the securities through a "Treasury Direct" account with the Federal Reserve Bank of Chicago. Therefore, the investment would be classified as a Category 1 investment (Insured or registered, with securities held by the Department or its agent in the Department's name).

NOTE 4 - INVENTORIES:

Inventories are stated at cost determined on the first-in, first-out method. Inventories consisted of the following:

	<u>March 31,</u> <u>2005</u>	<u>March 15,</u> <u>2004</u>
Light Department:		
Poles, towers, fixtures	\$ 21,009	\$ 17,584
Line material	112,339	112,220
Line transformers	142,860	141,870
Meters	7,584	6,213
Street lighting	7,430	5,965
Customer service – Lamps	4,313	4,053
Office supplies	600	600
Lamps – Resale	10,504	10,285
Fuel oil, lubricants	17,212	20,899
Internet	1,868	
Customer service – Material	<u>1,500</u>	<u>1,500</u>
Total light department	<u>327,219</u>	<u>321,189</u>
Water Department:		
Distribution mains, services	9,294	8,331
Fire hydrants	6,907	4,350
Meters	11,656	11,013
Maintenance supplies	18,643	19,945
Office supplies	<u>350</u>	<u>350</u>
Total water department	<u>46,850</u>	<u>43,989</u>
Total light & water department	<u>\$374,069</u>	<u>\$365,178</u>

(Continued)

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 5 - CAPITAL ASSETS:

Depreciation expense for the years ended March 31, 2005 and March 15, 2004, amounted to \$296,323 and \$289,803, respectively. Capital assets and accumulated depreciation consisted of the following:

	<u>Balance March 15, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance March 31, 2005</u>
Light Department:				
Land - Nondepreciated	\$ 206,074			\$ 206,074
Buildings	1,224,636		\$ 775	1,223,861
Equipment	<u>5,338,026</u>	<u>\$ 88,256</u>	<u>46,972</u>	<u>5,379,310</u>
Total Light Department	<u>6,768,736</u>	<u>88,256</u>	<u>47,747</u>	<u>6,809,245</u>
Water Department:				
Land - Nondepreciated	14,989			14,989
Buildings	7,043			7,043
Equipment	2,340,628	175,783	92,474	2,423,937
Construction in progress	<u>1,157</u>		<u>9,199</u>	<u>1,958</u>
Total Water Department	<u>2,413,816</u>	<u>175,783</u>	<u>101,673</u>	<u>2,487,926</u>
Total Capital Assets	<u>9,182,552</u>	<u>264,039</u>	<u>149,420</u>	<u>9,297,171</u>
Less: Accumulated depreciation	<u>4,653,460</u>	<u>296,323</u>	<u>139,936</u>	<u>4,809,847</u>
Net Capital Assets	<u>\$4,529,092</u>	<u>\$(32,284)</u>	<u>\$ 9,484</u>	<u>\$4,487,324</u>

NOTE 6 - RESTRICTED ASSETS:

Restricted cash and deposits held by the Sebewaing Light and Water Department amounted to \$1,000,000 and \$1,081,361, as of March 31, 2005 and March 15, 2004, respectively. Deposits are restricted for the following purposes:

	<u>March 31, 2005</u>	<u>March 15, 2004</u>
Redemption of general obligation water improvement bonds		\$ 81,361
Building and equipment replacement for the Light and Water Department	\$1,000,000	1,000,000
Total restrictions on deposits	<u>\$1,000,000</u>	<u>\$1,081,361</u>

Net assets of the Department have been classified as restricted for the restriction on the deposits of \$1,000,000 for building and equipment replacement.

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED:

Pension Plan:

Plan Description: The Sebewaing Light and Water Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Sebewaing Light and Water Department. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

Annual Pension Cost: For the year ended March 31, 2005, the Sebewaing Light and Water Department's annual pension cost of \$44,776 for the plan was equal to the Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three-year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 40,556	\$ 47,727	\$ 75,967
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0	0	0
Actuarial value of assets	3,856,702	3,957,174	4,065,945
Actuarial accrued liability (entry age)	4,521,390	4,914,142	5,323,901
Unfunded AAL	664,668	956,968	1,257,956
Funded ratio	85%	81%	76%
Covered payroll	837,974	824,473	828,818
UAAL as a percentage of covered payroll	79%	116%	152%

NOTE 8 - DEFERRED COMPENSATION:

Employees of the Sebewaing Light and Water Department may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

(Continued)

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005 AND MARCH 15, 2004**

NOTE 8 – DEFERRED COMPENSATION: (CONTINUED)

The deferred compensation plan is available to all employees of the Department. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution.

NOTE 9 – CONTINGENT LIABILITIES:

The Department is a reimbursing employer for purposes of unemployment insurance claims against the Department. The Department reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 10 – RELATED PARTY TRANSACTIONS:

As a matter of convenience, the Sebewaing Light and Water Department collects sewer, trash and fines billed by the Village of Sebewaing along with its own electric and water utility billings from customers. The collections for sewer, trash and fine charges are then periodically transferred to the Village's accounts. During the years ended March 31, 2005 and March 15, 2004, the Light and Water Department received \$35,534 and \$37,997, respectively, from the Village of Sebewaing's General and Sanitary Sewer Funds for electric service for street lighting and lift station operation.

NOTE 11 – RISK MANAGEMENT:

General Liability:

Sebewaing Light and Water Department participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$8.6 million for real and personal property losses and \$5 million for liability losses. Sebewaing Light and Water Department is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation:

Sebewaing Light and Water Department, as a component unit of the Village of Sebewaing, purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care:

Sebewaing Light and Water Department purchased commercial insurance coverage for its employees and their dependents.

SUPPLEMENTAL INFORMATION

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**DEPARTMENTAL BALANCE SHEETS
MARCH 31, 2005**

ASSETS	<u>LIGHT</u>	<u>WATER</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash	\$ 2,780,556	\$ 314,724	\$ 3,095,280
U.S. Government Securities	1,887,682		1,887,682
Accounts receivable - Trade	138,750	16,015	154,765
Accrued interest receivable	19,778		19,778
Prepaid insurance	10,881	2,719	13,600
Inventories	327,219	46,850	374,069
TOTAL CURRENT ASSETS	<u>5,164,866</u>	<u>380,308</u>	<u>5,545,174</u>
CAPITAL ASSETS			
LESS ACCUMULATED DEPRECIATION			
CAPITAL ASSETS - NET	<u>6,809,245</u>	<u>2,487,926</u>	<u>9,297,171</u>
	<u>(4,098,565)</u>	<u>(711,282)</u>	<u>(4,809,847)</u>
	<u>2,710,680</u>	<u>1,776,644</u>	<u>4,487,324</u>
RESTRICTED ASSETS:			
Certificates of deposit	<u>1,000,000</u>		<u>1,000,000</u>
TOTAL RESTRICTED ASSETS	<u>1,000,000</u>		<u>1,000,000</u>
TOTAL ASSETS	<u>\$ 8,875,546</u>	<u>\$ 2,156,952</u>	<u>\$ 11,032,498</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**DEPARTMENTAL BALANCE SHEETS
MARCH 31, 2005**

<u>LIABILITIES AND NET ASSETS</u>	<u>LIGHT</u>	<u>WATER</u>	<u>TOTAL</u>
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)			
Accounts payable - Trade	\$ 215,033		\$ 215,033
Due to other government	1,077		1,077
Accrued salaries and wages	5,022	\$ 1,510	6,532
Withheld and accrued payroll taxes and retirement	3,416		3,416
Deferred revenue		5,074	5,074
Customer deposits	15,600		15,600
TOTAL CURRENT LIABILITIES	<u>240,148</u>	<u>6,584</u>	<u>246,732</u>
NONCURRENT LIABILITIES:			
Interdepartmental adjustment	(2,023,225)	2,023,225	
Accrued compensated absences	56,091	19,563	75,654
TOTAL NONCURRENT LIABILITIES	<u>(1,967,134)</u>	<u>2,042,788</u>	<u>75,654</u>
TOTAL LIABILITIES	<u>(1,726,986)</u>	<u>2,049,372</u>	<u>322,386</u>
NET ASSETS:			
Investment in capital assets	2,710,680	1,776,644	4,487,324
Restricted	1,000,000		1,000,000
Unrestricted	6,891,852	(1,669,064)	5,222,788
TOTAL NET ASSETS	<u>10,602,532</u>	<u>107,580</u>	<u>10,710,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,875,546</u>	<u>\$ 2,156,952</u>	<u>\$ 11,032,498</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
LIGHT DEPARTMENT**

	<u>54 WEEKS ENDED</u> <u>MARCH 31, 2005</u>		<u>52 WEEKS ENDED</u> <u>MARCH 15, 2004</u>	
	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>
CHARGES FOR SERVICES	<u>\$ 2,650,130</u>	<u>100.0 %</u>	<u>\$ 2,478,890</u>	<u>100.0 %</u>
OPERATING AND ADMINISTRATIVE EXPENSES:				
Production	1,648,878	62.2	1,386,205	55.7
Internet	49,490	1.8	20,368	0.8
Distribution	327,764	12.4	248,661	10.0
General and administrative	657,156	24.8	602,672	24.3
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>2,683,288</u>	<u>101.3</u>	<u>2,257,906</u>	<u>90.8</u>
OPERATING INCOME (LOSS)	<u>(33,158)</u>	<u>(1.3)</u>	<u>220,984</u>	<u>9.2</u>
NONOPERATING REVENUE:				
Interest on investments	104,719	4.0	87,527	3.5
Miscellaneous	23,538	0.9	4,339	0.2
Net crop income	-		1,785	0.1
TOTAL NONOPERATING REVENUE	<u>128,257</u>	<u>4.8</u>	<u>93,651</u>	<u>3.8</u>
CHANGE IN NET ASSETS	<u>95,099</u>	<u>3.6 %</u>	<u>314,635</u>	<u>13.0 %</u>
NET ASSETS - BEGINNING OF YEAR	10,507,433		10,192,798	
NET ASSETS - END OF YEAR	<u>\$ 10,602,532</u>		<u>\$ 10,507,433</u>	

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER DEPARTMENT**

	<u>54 WEEKS ENDED</u>		<u>52 WEEKS ENDED</u>	
	<u>MARCH 31, 2005</u>		<u>MARCH 15, 2004</u>	
	<u>AMOUNT</u>	<u>% OF REVENUE</u>	<u>AMOUNT</u>	<u>% OF REVENUE</u>
CHARGES FOR SERVICES	<u>\$ 235,903</u>	<u>100.0 %</u>	<u>\$ 212,921</u>	<u>100.0 %</u>
OPERATING AND ADMINISTRATIVE EXPENSES:				
Production	83,763	35.6	72,002	33.9
Distribution	40,668	17.2	42,117	19.8
General and administrative	199,222	84.5	182,971	85.9
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>323,653</u>	<u>137.3</u>	<u>297,090</u>	<u>139.6</u>
OPERATING (LOSS)	<u>(87,750)</u>	<u>(37.3)</u>	<u>(84,169)</u>	<u>(39.6)</u>
NONOPERATING REVENUE:				
Property taxes	15,945	6.8	93,177	43.8
State shared revenue	5,074	2.2	5,074	2.4
Interest earned - Bond redemption	1,700	0.7	1,418	0.7
Interest earned	2,404	1.0	3,338	1.6
TOTAL NONOPERATING REVENUE	<u>25,122</u>	<u>10.7</u>	<u>103,007</u>	<u>48.5</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(62,628)</u>	<u>(26.4) %</u>	<u>18,838</u>	<u>8.9 %</u>
CONTRIBUTIONS	<u>9,000</u>	<u>3.8</u>	<u>9,000</u>	<u>4.2</u>
CHANGE IN NET ASSETS	<u>(53,628)</u>	<u>(22.6) %</u>	<u>27,838</u>	<u>13.1 %</u>
NET ASSETS - BEGINNING OF YEAR	<u>161,207</u>		<u>133,369</u>	
NET ASSETS - END OF YEAR	<u>\$ 107,580</u>		<u>\$ 161,207</u>	

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULES OF OPERATING AND ADMINISTRATIVE EXPENSES
LIGHT DEPARTMENT**

	<u>54 WEEKS ENDED</u> <u>MARCH 31, 2005</u>		<u>52 WEEKS ENDED</u> <u>MARCH 15, 2004</u>	
	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>
PRODUCTION:				
Supervision and operation labor	\$ 71,957	2.7 %	\$ 65,497	2.6 %
Fuel - Natural gas	12,994	0.5	15,529	0.6
Lubricants	31		1,100	
Supplies	13,320	0.5	15,511	0.6
Maintenance and repairs	7,598	0.3	9,743	0.4
Maintenance and repairs - Labor	43,143	1.6	42,402	1.7
Purchased power	1,494,647	56.4	1,235,187	49.8
Building maintenance	5,189	0.2	1,236	
TOTAL PRODUCTION	<u>1,648,878</u>	<u>62.2</u>	<u>1,386,205</u>	<u>55.7</u>
INTERNET:				
Labor	91		160	
Maintenance and repairs	12,129	0.5	2,297	0.1
Depreciation	18,063	0.7		
Subcontractor labor	450			
T1 monthly fee	18,757	0.7	17,911	0.7
TOTAL INTERNET	<u>49,490</u>	<u>1.8</u>	<u>20,368</u>	<u>0.8</u>
DISTRIBUTION:				
Supervision and operation labor	58,017	2.2	44,089	1.8
Line materials	10,553	0.4		
Customer service	88,097	3.3	52,349	2.1
Transportation - Truck	31,954	1.2	19,161	0.8
Supplies	6,779	0.3	11,037	0.4
Maintenance and repairs	126,074	4.8	114,051	4.6
Building maintenance	6,290	0.2	7,974	0.3
TOTAL DISTRIBUTION	<u>327,764</u>	<u>12.4</u>	<u>248,661</u>	<u>10.0</u>
GENERAL AND ADMINISTRATIVE:				
Meter reading and collection labor	71,684	2.7	74,038	3.0
Supplies - Office	29,839	1.1	11,374	0.5
Insurance - General	58,687	2.2	62,216	2.5
Interest expense	148		193	
Building maintenance	5,185	0.2	3,221	0.1
Professional and consulting fees	23,615	0.9	21,983	0.9
Miscellaneous	76	0.0	3,043	0.1
Bad debts	2,611	0.1	1,420	0.1
Retirement	31,286	1.2	17,086	0.7
Dues, meetings and travel	32,009	1.2	33,901	1.4
Advertising	5,800	0.2	5,430	0.2
Education and training	379		795	
Depreciation	216,055	8.2	233,525	9.4
Employee insurance	118,844	4.5	84,123	3.4
Office equipment	12,471	0.5	5,841	0.2
Taxes - Social security	31,485	1.2	27,576	1.1
Telephone	16,982	0.6	16,907	0.7
TOTAL GENERAL AND ADMINISTRATIVE	<u>657,156</u>	<u>24.8</u>	<u>602,672</u>	<u>24.3</u>
TOTAL OPERATING AND ADMINISTRATIVE	<u>\$ 2,683,288</u>	<u>101.3 %</u>	<u>\$ 2,257,906</u>	<u>90.8 %</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULES OF OPERATING AND ADMINISTRATIVE EXPENSES
WATER DEPARTMENT**

	<u>54 WEEKS ENDED</u> <u>MARCH 31, 2005</u>		<u>52 WEEKS ENDED</u> <u>MARCH 15, 2004</u>	
	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>	<u>AMOUNT</u>	<u>% OF</u> <u>REVENUE</u>
PRODUCTION:				
Supervision and operation labor	\$ 40,216	17.0 %	\$ 37,601	17.7 %
Purchased power - Electric	12,873	5.5	11,683	5.5
Supplies	10,846	4.6	8,658	4.1
Maintenance and repairs	19,828	8.4	14,060	6.6
TOTAL PRODUCTION	<u>83,763</u>	<u>35.6</u>	<u>72,002</u>	<u>33.9</u>
DISTRIBUTION:				
Water testing	1,200	0.5	3,266	1.5
Supplies	2,909	1.2	343	0.2
Maintenance and repairs	36,559	15.5	38,508	18.1
TOTAL DISTRIBUTION	<u>40,668</u>	<u>17.2</u>	<u>42,117</u>	<u>19.8</u>
GENERAL AND ADMINISTRATIVE:				
Meter reading and collection labor	56,448	23.9	61,575	28.9
Insurance - General	14,672	6.2	15,554	7.3
Office supplies	1,044	0.4		
Bad debts	705	0.3	435	0.2
Retirement	10,890	4.6	7,236	3.4
Depreciation	62,205	26.4	56,278	26.4
Employee insurance	41,407	17.6	32,267	15.2
Professional and consulting fees	892	0.4	825	0.4
Taxes - Social security	10,959	4.6	8,801	4.1
TOTAL GENERAL AND ADMINISTRATIVE	<u>199,222</u>	<u>84.5</u>	<u>182,971</u>	<u>85.9</u>
TOTAL OPERATING AND ADMINISTRATIVE EXPENSE	<u>\$ 323,653</u>	<u>137.3 %</u>	<u>\$ 297,090</u>	<u>139.6 %</u>

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 15, 2004**

	CAPITAL ASSETS			ACCUMULATED DEPRECIATION			NET ASSET COST
	BALANCE MARCH 15, 2004	ADDITIONS	RETIREMENTS	BALANCE MARCH 31, 2005	BALANCE MARCH 15, 2004	PROVISION FOR DEPRECIATION	RETIREMENTS
LIGHT DEPARTMENT:							
Land and land improvements	\$ 206,074			\$ 206,074	\$ 54,873	\$ 2,176	\$ 57,049
Power house building	554,195			554,195	262,133	17,976	280,109
Office building	38,091		\$ 775	37,316	34,150	1,036	34,411
Warehouse buildings	304,485			304,485	148,753	11,886	160,639
Oil storage tanks, pump	39,034			39,034	18,196	1,403	19,599
Electric plant waterwell	1,875			1,875	1,875		1,875
Fiber line	102,867			102,867	13,926	7,595	21,521
Internet equipment	33,517			76,893	2,242	10,486	12,728
Generating equipment	1,747,261	\$ 43,376		1,750,188	1,138,534	45,616	1,184,150
Substation	327,865	2,927		327,865	137,637	13,114	150,751
Accessory equipment	356,131	4,573	2,218	358,486	307,000	19,831	324,613
Switchboard equipment	593,135		30,882	562,253	313,757	17,325	300,200
Poles, towers, fixtures	157,370	1,088	1,682	156,776	72,395	5,616	76,329
Overhead conductors service	1,044,814	7,157	9,975	1,041,996	457,199	33,146	480,370
Line transformers	230,313	10,945	1,295	239,963	113,370	7,495	119,570
Meters	48,788	666		49,454	19,662	1,636	21,298
Street lighting	62,371		792	61,579	39,821	1,724	40,753
Office furniture, fixtures	141,345	17,524	128	158,741	122,526	8,609	131,007
Utility equipment	460,374			460,374	361,283	19,010	380,293
Transportation equipment	318,831			318,831	292,862	8,438	301,300
TOTAL LIGHT DEPARTMENT	6,768,736	88,256	47,747	6,809,245	3,912,194	234,118	4,098,565
							2,710,680
WATER DEPARTMENT:							
Land and improvements	14,989			14,989	1,210	500	1,710
Wells	174,655			174,655	67,215	4,156	71,371
Well houses	16,087			16,087	11,555	329	11,884
Elevated tank	451,735			451,735	213,720	16,402	230,122
Pumping equipment	147,960		15,680	132,280	81,322	4,319	69,961
Maintenance buildings	7,043			7,043	7,043		7,043
Distribution mains, service	1,366,097	156,309	70,801	1,451,605	262,785	27,653	219,637
Fire hydrants	23,994		249	23,745	7,658	470	7,879
Meters	101,311	2,957	744	103,524	42,488	3,382	45,126
Tools, work equipment	58,789	2,017	5,000	55,806	46,270	2,577	44,132
Transportation equipment		14,500		14,500		2,417	2,417
Construction in progress	51,157		9,199	41,958			
TOTAL WATER DEPARTMENT	2,413,816	175,783	101,673	2,487,926	741,266	62,205	711,282
							1,776,644
TOTAL LIGHT AND WATER DEPARTMENT	\$ 9,182,552	\$ 264,039	\$ 149,420	\$ 9,297,171	\$ 4,653,460	\$ 296,323	\$ 4,809,847
DEPARTMENT							\$ 4,487,325

**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSET ADDITIONS
FOR THE YEAR ENDED MARCH 31, 2005**

LIGHT DEPARTMENT:

Generating equipment:

Silencer for internal combustion engine	\$ 2,927
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Internet Service:

Firebox	1,003
Internet subscribers	42,373
	43,376

Office Furniture & fixtures:

Dell laptop computer	1,875
3 desktop computers, 4 monitors	4,706
Laser jet printer, express tabber	5,324
Tapes, cleaning cartridge	1,003
2 desks	4,616
	17,524

Accessory equipment:

3 KW generators	1,698
Northstar generator	2,875
	4,573

Poles, towers:

Inventory installed during fiscal year	1,088
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Overhead conductors service:

Inventory installed during fiscal year	7,157
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Line Transformers:

Inventory installed during fiscal year	1,575
Substation regulator on Bay Street	6,625
6 pole mount transformers	2,745
	10,945

Meters:

Meter enclosures	666
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TOTAL LIGHT DEPARTMENT

	88,256
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**SEBEWAING LIGHT AND WATER DEPARTMENT
VILLAGE OF SEBEWAING**

**SCHEDULE OF CAPITAL ASSET ADDITIONS
FOR THE YEAR ENDED MARCH 31, 2005**

WATER DEPARTMENT:

Transportation equipment

2000 Ford step van

14,500

Distribution mains and service:

Water service to customer property line - Dyke building
3rd & Frederick Streets

2,075

154,234

156,309

Meters:

Inventory installed during fiscal year

2,957

Tools and equipment:

Power pruner

622

Honda PHP trash pump

1,395

2,017

TOTAL WATER DEPARTMENT

175,783

TOTAL LIGHT AND WATER DEPARTMENT

\$ 264,039